

A ROADMAP TO Recovery

Reforming San Diego City Government

Commitment 9: Regional Government Solutions

Opportunities for funding and delivery of some city functions should be explored for consolidation between the City and the County government, Port of San Diego, and Redevelopment Agency.

San Diego taxpayers are the shareholders of all local government entities – such as the city government, school district, County government, Port and Redevelopment Agency. Taxpayers also stand to benefit from a collaborative effort among these agencies to produce the most efficient and integrated services possible.

We believe that there are numerous opportunities for improved coordination and collaboration across government entities around the San Diego region.



FY 2012 Changes

Reform 9.1 Seek to Improve General Fund Benefits from Centre City Development Corporation (CCDC)

The City has been successful in protecting the General Fund by transferring annual Petco Park debt service to CCDC. We believe that additional opportunities exist for holding the redevelopment agency and CCDC accountable for serving the public interest.

Recent actions taken by the State have raised the cap for the downtown redevelopment area. Unfortunately, this cap increase carries risks for San Diego taxpayers. The City Council had originally approached a cap increase with the express desire to build in mechanisms to protect the General Fund from lost revenues.

The City can take action to help ensure that the cap increase does not negatively impact the General Fund due to lost property taxes. It is not enough protection to taxpayers simply to say the cap increase will facilitate economic development – and in turn generate hotel tax and sales tax revenues for the General Fund. Those revenues are not part of the cap deal – property taxes are.

In FY 2012, the Mayor and City Council should adopt the following reforms:

Petco Park: Require that all remaining debt payments for Petco Park be assumed and paid entirely by the Redevelopment Agency. Currently, five years of debt payments have been approved (FY 2009 – FY 2013). This decision would make the debt payment arrangement permanent and will provide major General Fund benefit beginning in FY 2014 – reducing General Fund expenses by \$11.3 million in that year.¹

Convention Center: Commit to exploring all legal avenues to transferring remaining debt service for the Convention Center from the General Fund to the Redevelopment Agency. While CCDC was not directly involved in the Convention Center, the case can easily be made that this asset generates property tax revenues by supporting existing and proposed hotels in the CCDC project area. Despite legal hurdles, the possibility has been raised that expanding the Convention Center may provide a means to consolidate outstanding debt on the facility and transfer it to CCDC.²

The City currently contributes approximately \$9.2 million toward the debt service for the Phase 2 Convention Center expansion of the Convention Center. The Unified Port of San Diego currently contributes \$4.5 million annually, for a total debt service payment of \$13.7 million per year that will not be retired until April of 2028.

¹ See IBA Report 09-16.

² See City Attorney Memorandum MS 59, June 10, 2010.

However, the Port's contribution is scheduled to expire, and the entire debt service burden will be the responsibility of the City beginning in FY 2015. As a result, the successful outcome of this decision could provide major General Fund benefit of at least \$9.2 million annually, and up to \$13.7 million annually beginning in FY 2015.

Repayment of Community Development Block Grant (CDBG) Debt

The City will receive a total repayment of \$78.8 million, made over a 10-year period from CDBG loan repayments from the redevelopment agency. These payments will be treated as program income to the City's CDBG program, and include several other conditions.³

While CDBG monies can be used to support a variety of General Fund expenses, it should be recognized that transferring these payments can be complicated due to restrictions imposed by the U.S. Department of Housing and Urban Development (HUD).

Repayment of Non-CDBG Agency Debt

The Redevelopment Agency "currently holds approximately \$40.2 million in non-CDBG long-term debt to the City, including principle and interest."⁴ Given the downtown redevelopment area's recent cap increase, we recommend that a repayment plan for this debt to be considered by the City Council at a date in the near future, as a significant opportunity for generating an additional General Fund revenue stream may exist.

Departmental Budget	Line Item	FTE Impact	General Fund Savings
Redevelopment Agency	Repayments/Expenditure Transfers	NA	\$3,000,000

Reform 9.2 Push the Port District to Continue \$4 Million in Support for Convention Center

We are concerned that the proportionate share of revenues generated by the Port District from properties located inside the City of San Diego may not match the proportionate value received by San Diego city taxpayers.

As mentioned above, the Port currently provides a \$4.5 million payment to assist the city with debt service on the Convention Center, which is set to expire in FY 2014. The Port derives significant benefit from the Convention Center – including parking revenues beneath the Center and lease rates from hotels supported by the Convention Center.

In FY 2012, city leaders should aggressively pursue an agreement to continue the \$4.5 million payment from the Port for the Convention Center debt service. If debt service is transferred to the Redevelopment Agency as planned, this contribution payment should be considered for use in supporting the operating costs of the Convention Center – which currently are subsidized by the General Fund at approximately \$4 million annually.

Long Term Changes

IN PROGRESS – ADDITIONAL REFORMS IN DEVELOPMENT

We believe that a number of additional ideas should be explored for transforming how local government entities work together to serve taxpayers more efficiently and effectively. These include:

Exploring the pros and cons of dissolving the Port of San Diego – with responsibility of Port functions within the City of San Diego reverting to city government, along with all the lease revenues for those properties to be used exclusively for the benefit city taxpayers

Consolidating the Harbor Police with the San Diego police department and lifeguard service

Transferring prosecution of misdemeanor crimes from the City Attorney's Office to the District Attorney

Consolidation of support functions between the county and the city (e.g. auto maintenance, facilities management, energy supplies, contracting vehicles, etc.)

³ See IBA Report 10-17.

⁴ Ibid.